

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Fort Gratiot	County St. Clair
Fiscal Year End December 31, 2006	Opinion Date June 8, 2007	Date Audit Report Submitted to State June 15, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

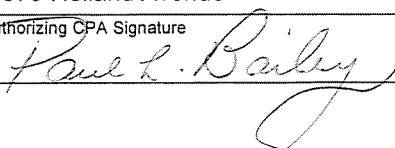
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC		Telephone Number (810) 984-3829	
Street Address 1979 Holland Avenue		City Port Huron	State MI
		Zip 48060	
Authorizing CPA Signature 		Printed Name Paul L. Bailey	
		License Number 1101014088	

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

**ANNUAL FINANCIAL STATEMENTS
and Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

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CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
Charter Township of Fort Gratiot
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fort Gratiot's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2007 on our consideration of the Charter Township of Fort Gratiot's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 38 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fort Gratiot's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

June 8, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Fort Gratiot's 2006 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in the Water and Sewer Fund, a proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$21.3 million. This is an increase over 2005 of \$1,065,583. Government-type activities comprise \$7.0 million, and business-type activities make up \$14.3 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2006 and 2005.

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Assets				
Current assets	\$ 7,302,575	\$ 6,818,913	\$ 1,349,435	\$ 1,310,093
Restricted assets	71,397	66,566	4,112,414	2,916,932
Noncurrent assets	2,685,083	2,347,450	11,082,795	11,327,970
	<u>10,059,055</u>	<u>9,232,929</u>	<u>16,544,644</u>	<u>15,554,995</u>
Liabilities				
Current liabilities	2,830,900	2,543,417	418,891	386,817
Liabilities payable from restricted assets	-	-	214,287	225,916
Long-term liabilities	<u>273,737</u>	<u>244,869</u>	<u>1,610,335</u>	<u>1,136,338</u>
	<u>3,104,637</u>	<u>2,788,286</u>	<u>2,243,513</u>	<u>1,749,071</u>
Net Assets				
Investment in capital assets, net of related liabilities	2,427,697	2,163,904	11,580,726	11,433,834
Restricted	1,688,064	1,548,614	1,688,495	1,495,152
Unrestricted	<u>2,838,657</u>	<u>2,732,125</u>	<u>761,910</u>	<u>876,938</u>
Total Net Assets	<u>\$ 6,954,418</u>	<u>\$ 6,444,643</u>	<u>\$ 14,301,131</u>	<u>\$ 13,805,924</u>

The Township governmental activities experienced a net change in assets of \$509,775. The main reason is the General, Fire, Police and Public Improvement Funds had revenues and other sources over expenditures and other uses of \$60,102, \$88,511, \$55,275 and \$53,246, respectively. In addition, capital outlays and principal payment on long-debt exceed depreciation by \$359,861.

The following table shows the changes in net assets for 2006 and 2005:

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues -				
Program revenues:				
Charges for services	\$ 1,400,088	\$ 1,364,403	\$ 2,509,458	\$ 2,685,133
Operating grants and contributions	139,627	57,886	-	-
Capital grants and contributions	63,920	-	883,953	387,373
General revenues				
Property taxes	1,273,602	1,205,438	-	-
Unrestricted grants	868,756	852,064	-	-
Unrestricted investments	258,977	152,126	97,255	52,308
	<u>4,004,970</u>	<u>3,631,917</u>	<u>3,490,666</u>	<u>3,124,814</u>
Program Expenses -				
General government	989,552	1,080,505	-	-
Public safety	1,429,842	1,307,030	-	-
Public works	962,068	840,606	-	-
Recreation and cultural	104,852	95,252	-	-
Other activities	-	4,554	-	-
Interest on debt	8,881	11,609	-	-
Water and sewer operations	-	-	2,934,858	2,919,436
	<u>3,495,195</u>	<u>3,339,556</u>	<u>2,934,858</u>	<u>2,919,436</u>
Change in net assets	<u>\$ 509,775</u>	<u>\$ 292,361</u>	<u>\$ 555,808</u>	<u>\$ 205,378</u>

Governmental Activities

Revenues for governmental activities totaled \$4,004,970 in 2006. Of this amount, \$1,273,602 was received from taxes or special service assessments, which was an increase of \$68,164 from the prior year. The next largest revenue source was state shared revenue of \$748,125, an increase of \$8,160 from 2005.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,490,666 and expenses were \$2,934,858 for a change in net assets of \$555,808. During the year the charges for services decreased \$175,675 or approximately 6% as a result of decreased usage during the year. In addition capital grants increased \$496,580 because of the 2006 Krafft Road assessments were levied for approximately \$680,000 and a decrease in tap and privilege fees of \$191,263.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2006 with a fund balance of \$2,856,160, with \$109,042 reserved for street lighting and prepaid and \$1,771,278 designated for specific purposes. The designations at December 31, 2006 were for accrued vacation and sick of \$64,385, \$700,000 for budget stabilization, \$900,000 for capital improvements and \$103,151 for retirees' health insurance and \$3,742 for parks and recreation. The general fund balance increased \$60,102, which is approximately 4% of annual expenditures. Total revenues were \$154,473 more than expected, mainly as a result of interest revenues. Expenditures were within \$67,059 of budget. The original and amended budgets expected expenditures over revenues of \$3,000 and \$17,000, respectively.

The Townships other major governmental funds had the following revenues over (under) expenditures as follows:

- Fire Fund had revenues over expenditure of \$88,511 mainly as a result of increased assessments of \$31,693 and decreased repair and maintenance expenditures of \$17,114.
- The Police Fund had revenues in excess of expenditures of \$55,275 as a result of additional property taxes and additional interest revenues of \$8,740.
- The Garbage Collection Fund had revenues in excess of expenditures of \$35,211, which was due to increased assessment revenue.

The only budget adjustment for the year was to increase the transfers from the General Fund to Public Improvement for \$169,000 and to increase Drains at Large and Watershed expenditures by \$14,000 to cover an increase in the cost of expenditures. There were no significant budget adjustments in the other major funds.

Business-type Activities

As indicated earlier the Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,490,666 and expenses were \$2,934,858 for a change in net assets of \$555,808. During the year the charges for services decreased \$175,675, or approximately 6% as a result of decreased usage during the year. In addition, capital grants increased \$496,580 because of the 2006 Krafft Road assessments were levied for approximately \$680,000 and a decrease in tap and privilege fees of \$191,263.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$13.7 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of December 31, 2006. The investment is a capital asset includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year the Township added \$553,364 of capital assets, \$468,742 in the government-activities and \$84,622 in the business-type activities. The governmental activities capital expenditures included the construction costs for the bike path and purchase of a fire rescue unit. The business-type activities were a result of replacing pump stations.

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Land	\$ 715,606	\$ 707,529	\$ -	\$ -
Land improvements	917,997	611,503	-	-
Building and building improvements	678,153	675,888	141,136	141,136
Equipment	1,962,233	1,804,562	831,803	831,803
Water and sewer systems	-	-	18,227,379	18,142,757
Construction in progress	-	-	-	-
	<u>4,273,989</u>	<u>3,799,482</u>	<u>19,200,318</u>	<u>19,115,696</u>
Accumulated depreciation	<u>(1,588,906)</u>	<u>(1,452,032)</u>	<u>(8,117,523)</u>	<u>(7,787,726)</u>
	<u><u>\$ 2,685,083</u></u>	<u><u>\$ 2,347,450</u></u>	<u><u>\$ 11,082,795</u></u>	<u><u>\$ 11,327,970</u></u>

Additional information on the Township's capital assets can be found in Note 7.

Long-Term Debt

At December 31, 2006, the Township's had \$2,084,072 in long-term debt compared to \$1,581,207 at December 31, 2005, an increase of \$502,865 from the prior year. The following table shows the long-term debt at December 31, 2006 and 2005:

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Special Assessment Bonds	\$ -	\$ -	\$ 1,620,000	\$ 710,000
G.O. Bonds	-	-	150,000	580,000
Capital Leases	161,318	183,546	-	-
Drain District	48,034	-	-	-
Compensated Absences	64,385	61,323	40,335	46,338
	<u>\$ 273,737</u>	<u>\$ 244,869</u>	<u>\$ 1,810,335</u>	<u>\$ 1,336,338</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGET

For 2007, the Township Board adopted balanced budgets for all of the Township funds. The General Fund estimates revenues and expenditures of \$1,561,375. Among other things, during 2007, the Township anticipates widening State Rd. north and south of M-136 in preparation of a traffic light, installing approximately a mile sewers along Kraft Rd, investigating ways to curb the water and sewer rates increase from the City of Port Huron, continue to expand and enhance the bike path and create a beautification and event committee for the Township.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 385-4489.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 4,148,023	\$ 800,411	\$ 4,948,434
Investments	112,705	-	112,705
Receivables (net of allowance)	2,954,516	476,055	3,430,571
Internal balance	92	(92)	-
Inventory	-	41,311	41,311
Prepaid expenses/deposits	87,239	31,750	118,989
Restricted Assets -			
Cash and cash equivalents	-	2,468,298	2,468,298
Investments	71,397	400,000	471,397
Special assessment receivable	-	1,244,116	1,244,116
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	715,606	-	715,606
Assets being depreciated	1,969,477	11,082,795	13,052,272
Total Assets	<u>10,059,055</u>	<u>16,544,644</u>	<u>26,603,699</u>
LIABILITIES:			
Payables and accrued liabilities	330,825	413,646	744,471
Accrued interest	8,464	-	8,464
Advances and deposits	18,806	5,245	24,051
Deferred revenue	2,472,805	-	2,472,805
Liabilities Payable From Restricted Assets			
Accounts Payable	-	456	456
Bonds payable (current)	-	200,000	200,000
Accrued interest	-	13,831	13,831
Non-current liabilities			
Accrued compensated absences	64,385	40,335	104,720
Due within one year	33,942	-	33,942
Due in more than one year	175,410	1,570,000	1,745,410
Total Liabilities	<u>3,104,637</u>	<u>2,243,513</u>	<u>5,348,150</u>
NET ASSETS:			
Investment in capital assets, net of related liabilities	2,427,697	11,850,726	14,278,423
Restricted			
Acquisition/construction of capital assets	1,168,075	1,688,495	2,856,570
Cemetery perpetual care			
Nonexpendable	71,397	-	71,397
Other	448,592	-	448,592
Unrestricted	2,838,657	761,910	3,600,567
Total Net Assets	<u>\$ 6,954,418</u>	<u>\$ 14,301,131</u>	<u>\$ 21,255,549</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 989,552	\$ 56,764	\$ -	\$ -
Public Safety	1,429,842	812,633	8,489	-
Public Works	962,068	527,640	5,417	-
Recreation and Culture	104,852	3,051	125,721	63,920
Interest on Long Term Debt	8,881	-	-	-
Total governmental activities	3,495,195	1,400,088	139,627	63,920
Business type activities				
Utilities (Water/Sewer)	2,934,858	2,509,458	-	883,953
Total Primary Government	6,430,053	3,909,546	139,627	947,873

General revenues:
Property taxes
Grants and contribution not-
restricted to specific programs
Unrestricted investment income
Total general revenues

Change in net assets

Net assets at beginning of year

Prior Period Adjustment

Net assets at beginning of year, as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (932,788)	\$ -	\$ (932,788)
(608,720)	-	(608,720)
(429,011)	-	(429,011)
87,840	-	87,840
(8,881)	-	(8,881)
(1,891,560)	-	(1,891,560)
-	458,553	458,553
(1,891,560)	458,553	(1,433,007)
1,273,602	-	1,273,602
868,756	-	868,756
258,977	97,255	356,232
2,401,335	97,255	2,498,590
509,775	555,808	1,065,583
6,444,643	13,805,924	20,250,567
-	(60,601)	(60,601)
6,444,643	13,745,323	20,189,966
\$ 6,954,418	\$ 14,301,131	\$ 21,255,549

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2006

	General	Fire	Police	Garbage Collection
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 2,432,493	\$ 160,582	\$ 249,547	\$ 35,211
Investments	112,705	-	-	-
Receivables -				
Property taxes	562,003	584,874	659,993	-
Interest and accounts	62,958	-	-	-
Special assessments	-	-	-	391,175
Due from other governmental units -				
Federal/State	318,370	-	-	-
Due from other funds	121,623	-	-	-
Prepays/deposits	55,006	28,438	-	-
	<u>3,665,158</u>	<u>773,894</u>	<u>909,540</u>	<u>426,386</u>
Restricted assets -				
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 3,665,158</u></u>	<u><u>\$ 773,894</u></u>	<u><u>\$ 909,540</u></u>	<u><u>\$ 426,386</u></u>
Liabilities:				
Accounts payable	\$ 58,471	\$ 3,627	\$ 44,546	\$ -
Accrued liabilities	2,685	15,198	-	-
Advances and deposits	16,006	2,800	-	-
Due to other funds	169,833	-	-	-
Deferred revenue	562,003	584,874	659,993	391,175
	<u>808,998</u>	<u>606,499</u>	<u>704,539</u>	<u>391,175</u>
Total Liabilities	<u>808,998</u>	<u>606,499</u>	<u>704,539</u>	<u>391,175</u>
Fund Balances:				
Reserved	109,042	28,438	-	-
Unreserved -				
Designated	1,771,278	-	-	-
Undesignated -				
General Fund	975,840	-	-	-
Special Revenue Funds	-	138,957	205,001	35,211
Total Equity	<u>2,856,160</u>	<u>167,395</u>	<u>205,001</u>	<u>35,211</u>
Total Liabilities and Fund Equity	<u><u>\$ 3,665,158</u></u>	<u><u>\$ 773,894</u></u>	<u><u>\$ 909,540</u></u>	<u><u>\$ 426,386</u></u>

The accompanying notes are an integral part of these financial statements.

Blue Water Area Transportation	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,270,190	\$ 4,148,023
-	-	112,705
274,760	-	2,081,630
-	-	62,958
-	-	391,175
-	-	318,370
-	169,833	291,456
-	3,795	87,239
<u>274,760</u>	<u>1,443,818</u>	<u>7,493,556</u>
-	71,397	71,397
<u>\$ 274,760</u>	<u>\$ 1,515,215</u>	<u>\$ 7,564,953</u>
\$ -	\$ 204,424	\$ 311,068
-	1,874	19,757
-	-	18,806
-	21,148	190,981
<u>274,760</u>	<u>-</u>	<u>2,472,805</u>
<u>274,760</u>	<u>227,446</u>	<u>3,013,417</u>
-	734,679	872,159
-	-	1,771,278
-	-	975,840
-	553,090	932,259
<u>-</u>	<u>1,287,769</u>	<u>4,551,536</u>
<u>\$ 274,760</u>	<u>\$ 1,515,215</u>	<u>\$ 7,564,953</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

Fund Balances - total governmental funds		\$	4,551,536
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			4,273,989
Accumulated depreciation		(1,588,906)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(64,385)	
Capital lease	(161,318)	
Drain districts	(48,034)	
Accrued interest	(8,464)	(282,201)
Net Assets of governmental activities		\$	<u>6,954,418</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Fire	Police	Garbage Collection
Revenues:				
Taxes	\$ 448,969	\$ -	\$ 562,392	\$ -
Licenses and permits	13,235	-	-	-
Intergovernmental -				
Federal/State	753,542	-	8,489	-
Local	-	-	-	-
Charges for services	142,781	26,150	-	-
Fines and forfeits	7,487	-	-	-
Interest and rent	173,211	11,242	18,950	5,854
Other	124,848	541,476	-	417,923
Total Revenues	<u>1,664,073</u>	<u>578,868</u>	<u>589,831</u>	<u>423,777</u>
Expenditures:				
Current -				
General Government	918,482	-	-	-
Public Safety	111,194	458,099	534,556	-
Public Works	267,444	-	-	388,983
Recreation and Cultural	106,601	-	-	-
Debt Service				
Principal	-	22,228	-	-
Interest	-	10,030	-	-
Total Expenditures	<u>1,403,721</u>	<u>490,357</u>	<u>534,556</u>	<u>388,983</u>
Excess of revenues over (under) expenditures	<u>260,352</u>	<u>88,511</u>	<u>55,275</u>	<u>34,794</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	417
Transfers to other funds	(200,250)	-	-	-
Total Other Financing Sources (Uses)	<u>(200,250)</u>	<u>-</u>	<u>-</u>	<u>417</u>
Excess of revenues and other sources over (under) expenditures and other uses	60,102	88,511	55,275	35,211
Fund Balances at beginning of year	<u>2,796,058</u>	<u>78,884</u>	<u>149,726</u>	<u>-</u>
Fund Balances at end of year	<u><u>\$ 2,856,160</u></u>	<u><u>\$ 167,395</u></u>	<u><u>\$ 205,001</u></u>	<u><u>\$ 35,211</u></u>

The accompanying notes are an integral part of these financial statements.

Blue Water Area Transportation	Other Governmental Funds	Total Governmental Funds
\$ 262,241	\$ -	\$ 1,273,602
-	-	13,235
-	83,470	845,501
-	42,251	42,251
-	237,287	406,218
-	-	7,487
-	49,720	258,977
-	73,452	1,157,699
<u>262,241</u>	<u>486,180</u>	<u>4,004,970</u>
-	61,741	980,223
-	376,305	1,480,154
262,241	-	918,668
-	287,205	393,806
-	-	22,228
-	-	10,030
<u>262,241</u>	<u>725,251</u>	<u>3,805,109</u>
-	(239,071)	199,861
-	199,833	200,250
-	-	(200,250)
-	199,833	-
-	(39,238)	199,861
-	1,327,007	4,351,675
<u>\$ -</u>	<u>\$ 1,287,769</u>	<u>\$ 4,551,536</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2006**

Net change in fund balances - total governmental funds	\$	199,861
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		476,819
Depreciation expense	(139,186)

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.

Principal payments on long term liabilities	22,228	
Increase in compensated absences	(3,062)
Increase in drain districts	(48,034)
Decrease in accrued interest	<u>1,149</u>	<u>(</u> 27,719)

Change in net assets of governmental activities	\$	<u><u>509,775</u></u>
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The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF FORT GRATIOT**St. Clair County, Michigan****STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
DECEMBER 31, 2006****ASSETS:****Current Assets:**

Cash and cash equivalents	\$ 800,411
Accounts receivable	476,055
Inventory	41,311
Prepaid expense	31,750
Total Current Assets	<u>1,349,527</u>

Restricted Assets:

Cash and cash equivalents	2,468,298
Investments	400,000
Special assessment receivable	1,244,116
	<u>4,112,414</u>

Property, Plant and Equipment:

Buildings	141,136
Equipment	831,803
Mains and extensions	18,227,379
	<u>19,200,318</u>
Less - accumulated depreciation	(8,117,523)
	<u>11,082,795</u>

Total Assets	<u>16,544,736</u>
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LIABILITIES:**Current Liabilities:**

Accounts payable	375,120
Deposits	5,245
Accrued expenses	5,301
Due to other funds	33,317
Total Current Liabilities	<u>418,983</u>

Current Liabilities - (Payable from restricted assets):

Accounts payable	456
Bonds payable (current portion)	200,000
Accrued interest	13,831
	<u>214,287</u>

Long-Term Liabilities (less current portions):

Bonds payable	1,570,000
Accrued vacation and sick	40,335
Total Long-Term Liabilities	<u>1,610,335</u>
Total Liabilities	<u>2,243,605</u>

NET ASSETS:

Investment in capital assets, net of related debt	11,850,726
Reserved -	
Equipment Replacement	1,688,495
Unrestricted	761,910
Total Net Assets	<u>\$ 14,301,131</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

Operating Revenues:

Licenses and permits	\$ 1,125
Charges for services - user charges	2,490,228
Penalty on delinquent accounts	2,830
Other revenue	15,275
Total Operating Revenues	<u>2,509,458</u>

Operating Expenses:

Salaries and fringes	549,067
Water purchases	945,448
Sewer plant charges	757,599
Supplies	76,702
Utilities	43,797
Repairs and maintenance	44,158
Gas and oil	29,666
Professional services	27,490
Other	32,720
Depreciation	329,797
Total Operating Expenses	<u>2,836,444</u>

Operating Loss	<u>(326,986)</u>
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Non-Operating Revenues (Expenses):

Tap and privilege fees	143,256
Special assessments	702,342
Interest earned on -	
Special assessments and privilege fees	38,355
Cash and investment revenue	97,255
Interest expense and paying agent fees	<u>(98,414)</u>
Total Non-Operating Revenues (Expenses)	<u>882,794</u>

Net Income	<u>555,808</u>
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Net assets at beginning of year	13,805,924
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Prior Period Adjustment	<u>(60,601)</u>
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Net assets at beginning of year, restated	<u>13,745,323</u>
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Net Assets end of year	<u><u>\$ 14,301,131</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash Flows From Operating Activities:

Cash receipts from customers	\$ 2,720,666
Cash payments to suppliers	(2,033,657)
Cash payments to employees	(555,314)
Net Cash Provided by Operating Activities	<u>131,695</u>

Cash Flows From Capital and Related

Financing Activities:

Special assessments/tap and privilege fees	289,118
Bond payments	(301,054)
Bond proceeds	680,000
Acquisition/construction/disposal of capital assets	(84,622)
Net Cash Provided by Capital and Related Financing Activities	<u>583,442</u>

Cash Flows From Investing Activities:

Interest earned	135,610
Purchase of investments	(400,000)
Net Cash Used by Investing Activities	<u>(264,390)</u>

Net Increase in Cash and Cash

Equivalents for the year 450,747

Cash and Cash Equivalents at Beginning of Year 2,817,962

Cash and Cash Equivalents at End of Year \$ 3,268,709

Reconciliation of Net Loss to

Net Cash Provided by Operating Activities:

Operating loss for the year	\$(326,986)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	329,797
Change in assets and liabilities:	
Receivables	211,208
Prepaid expenses	(31,750)
Inventory	(14,983)
Due from other funds	210
Accounts payable/accrued expenses	(10,140)
Due to other funds	33,361
Advance from other fund	(53,019)
Vacation and sick time	(6,003)
Net Cash Provided By Operating Activities	<u>\$ 131,695</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 1,717,686
Prepaid expense	33,273
Due from other funds	<u>33,373</u>
 Total Assets	 \$ <u><u>1,784,332</u></u>
 LIABILITIES:	
Accrued payroll taxes and employee benefits	2,255
Due to other funds	100,531
Undistributed taxes and interest	<u>1,681,546</u>
 Total Liabilities	 \$ <u><u>1,784,332</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Charter Township of Fort Gratiot, Michigan, a Municipal Corporation, was organized as a Township on June 13, 1866, under provisions of the constitution and general law of the State of Michigan and became a Charter Law Township on August 21, 1979, under Public Act 359, the Charter Township Act. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 16 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 10,800 residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2005 levy in 2006). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

Police Fund – is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

Garbage Collection Fund – is a special revenue fund used to account for assessments for the purpose of providing garbage and rubbish collection for the Township.

Blue Water Area Transportation – is used to account for the millage and cost of providing transportation services.

The Township reports the following major proprietary fund:

Utilities (Water and Sewer Fund) – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Additionally, the Township reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Fund – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).

Agency Funds – are used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts/mutual funds have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property Tax Calendar –

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance (the 2005 levy is recognized in 2006)

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>
Land improvements	3-60
Buildings and improvements	5-60
Utility systems	60
Machinery and equipment	3-25

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended December 31, 2006, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund			
General Government			
Legislative	\$ 30,135	\$ 30,631	\$ 496
Assessor	125,594	126,628	1,034
Clerk's Department	194,687	195,804	1,117
Public Safety			
Zoning Board	3,900	4,250	350
Public Works			
Street Lights	105,000	107,367	2,367
Road Maintenance	100,000	113,534	13,534
Blue Water Area Transportation Fund	261,445	262,241	796

The Township did not adopt budgets for the Public Improvement or the Park Improvement Fund.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2006, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Total</u>
Deposits			
Petty Cash	\$ 600	\$ -	\$ 600
Deposits with Financial Institutions - Savings/Certificate of Deposit	<u>7,928,837</u>	<u>1,717,686</u>	<u>9,646,523</u>
Total Deposits	7,929,437	1,717,686	9,647,123
Investments			
Stocks	<u>71,397</u>	<u>-</u>	<u>71,397</u>
Total Deposits and Investments	<u>\$ 8,000,834</u>	<u>\$ 1,717,686</u>	<u>\$ 9,718,520</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Total</u>
Reconciliation to Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 600	\$ -	\$ 600
Savings/Certificate of Deposit	<u>7,416,132</u>	<u>1,717,686</u>	<u>9,133,818</u>
Total Cash and Cash Equivalents	<u>7,416,732</u>	<u>1,717,686</u>	<u>9,134,418</u>
Reported as Investments -			
Certificates of Deposit	512,705	-	512,705
Stocks	<u>71,397</u>	<u>-</u>	<u>71,397</u>
Total Investments	<u>584,102</u>	<u>-</u>	<u>584,102</u>
Grand Total – Balance Sheet	<u>\$ 8,000,834</u>	<u>\$ 1,717,686</u>	<u>\$ 9,718,520</u>

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2006, the bank balance of the Township's deposits were \$9,860,745 of which \$479,662 was FDIC insured with the balance \$9,381,083 uninsured and uncollateralized.

The Township Board investment policy allows the Township to invest in investment instruments that are legal under Public Act 40 of the Michigan Compiled Laws. The Treasurer is responsible for investing Township funds.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Investments –

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2006, the Township held the following investments:

	<u>Fair Value</u>	<u>Average Maturity</u>	<u>Investment Type</u>
Munder Mutual Funds (Perpetual Care)			
Money Market	\$ 4,750	N/A	Cash
Mid Cap Growth	8,919	N/A	Equities
Small Cap Value	2,283	N/A	Equities
Large Cap Growth	13,208	N/A	Equities
S&P Small Cap Index Equity	2,055	N/A	Equities
Large Cap Value	10,175	N/A	Equities
Munder Intermediate Bond	23,558	3.6 Years	Bonds
International Equity	6,449	N/A	Foreign Equities
	<u>\$ 71,397</u>		
Certificates of Deposit	<u>\$ 400,000</u>	< 1 Year	

The Munder Mutual Funds have been reported as a restricted investment since it is perpetual care revenues that were donated to the Township and use is restricted.

Custodial Credit Risk – is the risk that in the event of a bank failure, the Township's deposits or investments may not be returned. The Township investment policy does not address credit risk.

Interest Rate Risk – is the risk that the market value of securities of the Township's portfolio will fall due to changes in the market interest rates. The Township investment policy does not address interest rate risk.

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws limit the types on investment and "grades" of investments that the Township can purchase.

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The only restriction is that certificates of deposits cannot exceed \$500,000.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 4 – TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2006 levy has a State Equalized Value (SEV) of \$522,728,955 and a taxable value of \$440,009,970.

The millage rates levied by the Township for 2006 revenues were .7119 for General Operating, .6245 for the Blue Water Area Transportation service, 1.3373 for Police Protection and 1.3617 for Fire Services. In addition the Township levied the following assessments:

	2005 Levy (2006 Revenue)
Lighting District	\$ 105,120
Garbage Collection	417,923

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 2,081,630	\$ -
Special Assessments	391,175	1,244,116
Accounts and Interest	163,341	476,055
Intergovernmental	<u>318,370</u>	<u>-</u>
	<u>\$ 2,954,516</u>	<u>\$ 1,720,171</u>

Governmental fund report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the components of deferred revenue and unearned revenue reported in the governmental funds was as follows:

	Unavailable	Unearned
General Fund	\$ <u>-</u>	\$ <u>2,472,805</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Inspections Fund	\$ 21,000
	Water and Sewer Fund	92
	Current Tax Collection Fund	31,941
	Imprest Payroll Fund	68,590
Public Improvement Fund	General Fund	169,000
M-25 Debt Service Fund	General Fund	833
Imprest Payroll Fund	Inspections Fund	148
	Water and Sewer Fund	33,225
		<u>\$ 324,829</u>

The General Fund is owed \$21,000 from the Inspections Fund for administrative services, \$31,941 from the current Tax Collection Fund for undistributed taxes, and \$68,590 from the Imprest Payroll Fund for overcharges of payroll and fringe amounts.

The Public Improvement Fund is due \$169,000 from the General Fund for the annual allocation.

The Imprest Payroll Fund is due \$33,225 from the Water and Sewer Fund and \$148 from the Inspection Fund for payroll and fringe amounts.

Transfer From/To Other Funds –

<u>Transfer In</u>	<u>Transfer Out</u>	
Cemetery Fund	General Fund	\$ 30,000 (1)
Public Improvement	General Fund	169,000 (1)
M-25 Debt Service Fund	General Fund	833 (2)
Garbage Fund	General Fund	417 (2)
		<u>\$ 200,250</u>

(1) Annual Appropriation

(2) Miscellaneous Reimbursement

NOTE 7 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2006 was as follows:

	<u>Jan. 1, 2006 Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Dec. 31, 2006 Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 707,529	\$ 8,077	\$ -	\$ 715,606
Capital Assets being depreciated				
Land Improvements	611,503	306,494	-	917,997
Building and Improvements	675,888	2,265	-	678,153
Machinery and Equipment	1,804,562	159,983	2,312	1,962,233
	<u>3,091,953</u>	<u>468,742</u>	<u>2,312</u>	<u>3,558,383</u>
	- 31 -			

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 7 - CAPITAL ASSETS – (cont'd):

	Jan. 1, 2006 Balance	Additions	Deletions/ Adjustments	Dec. 31, 2006 Balance
Less accumulated depreciation				
Land Improvements	\$ 139,590	\$ 26,356	\$ -	\$ 165,946
Building and Improvements	291,405	14,250	-	305,655
Machinery and Equipment	<u>1,021,037</u>	<u>98,580</u>	<u>2,312</u>	<u>1,117,305</u>
Total accumulated depreciation	<u>1,452,032</u>	<u>139,186</u>	<u>2,312</u>	<u>1,588,906</u>
Total capital assets being depreciated, net	<u>1,639,921</u>	<u>329,556</u>	<u>-</u>	<u>1,969,477</u>
Governmental activities capital assets, net	<u>\$ 2,347,450</u>	<u>\$ 337,633</u>	<u>\$ -</u>	<u>\$ 2,685,083</u>
Business-type Activities				
Capital Assets being depreciated				
Buildings and Improvements	\$ 141,136	\$ -	\$ -	\$ 141,136
Utility Systems	18,142,757	84,622	-	18,227,379
Equipment	<u>831,803</u>	<u>-</u>	<u>-</u>	<u>831,803</u>
Total capital assets being depreciated	<u>19,115,696</u>	<u>84,622</u>	<u>-</u>	<u>19,200,318</u>
Less accumulated depreciation				
Building and Improvements	119,384	1,345	-	120,729
Utility Systems	7,018,408	293,597	-	7,312,005
Equipment	<u>649,934</u>	<u>34,855</u>	<u>-</u>	<u>684,789</u>
Total accumulated depreciation	<u>7,787,726</u>	<u>329,797</u>	<u>-</u>	<u>8,117,523</u>
Business activities capital assets, net	<u>\$ 11,327,970</u>	<u>\$ (245,175)</u>	<u>\$ -</u>	<u>\$ 11,082,795</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 47,185
Public Safety	74,461
Recreation and Culture	<u>17,540</u>
Total depreciation expense – governmental activities	<u>\$ 139,186</u>
Business-type Activities:	
Water and Sewer Operation	<u>\$ 329,797</u>

NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portion) of the Primary Government for the year ended December 31, 2006:

	Jan. 1, 2006 Balance	Additions	Reductions	Dec. 31, 2006 Balance	Due Within One Year
Governmental Activities:					
Fire Truck Capital Lease	\$ 183,546	\$ -	\$ 22,228	\$ 161,318	\$ 23,441
Drain Districts	-	48,034	-	48,034	10,501
Accrued Vacation and Sick Pay	<u>61,323</u>	<u>3,062</u>	<u>-</u>	<u>64,385</u>	<u>-</u>
	<u>244,869</u>	<u>51,096</u>	<u>22,228</u>	<u>273,737</u>	<u>33,942</u>
	- 32 -				

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 8 - LONG-TERM DEBT –(cont'd):

	Jan. 1, 2006			Dec. 31, 2006	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-type Activities:					
1995 General Obligation Limited Tax Bonds	\$ 200,000	\$ -	\$ 50,000	\$ 150,000	\$ 50,000
1995 Special Assessment Bonds	350,000	-	90,000	260,000	90,000
1999 Special Assessment Bonds	380,000	-	45,000	335,000	45,000
2004 Special Assessment Bonds	360,000	-	15,000	345,000	15,000
2006 Special Assessment Bonds	-	680,000	-	680,000	-
Accrued Vacation and Sick Pay	<u>46,338</u>	<u>-</u>	<u>6,003</u>	<u>40,335</u>	<u>-</u>
	<u>1,336,338</u>	<u>680,000</u>	<u>206,003</u>	<u>1,810,335</u>	<u>200,000</u>
	<u>\$ 1,581,207</u>	<u>\$ 731,096</u>	<u>\$ 228,231</u>	<u>\$ 2,084,072</u>	<u>\$ 233,942</u>

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

Fire Truck Lease -

The Township entered into a lease purchase agreement for a fire truck in the amount of \$224,602 on January 15, 2003. Payments are due in annual installments of \$32,257, which includes interest of 5.45 percent payable annually through January 15, 2012.

\$ 161,318

Drain Districts -

The St. Clair County Drain Commission has made improvements to the following drains and levied multi-year assessment against the Township as follows:

Moore & Braid (5-year assessment through 2010)	\$ 37,984
Metcalf	<u>10,050</u>
	<u>\$ 48,034</u>

Utilities System -

The Township has also issued four bond issues for the purpose of water and sewer main extensions. The bonds are to be repaid from special assessments and capital charges.

The \$495,000 1995 General Obligation Limited Tax Bonds, dated February 1, 1995, due in annual installments of \$50,000 through October 1, 2009, with interest ranging from 5.70 to 5.90 percent, payable semi-annually.

\$ 150,000

The \$1,240,000 1995 Special Assessment Bonds, dated February 1, 1995, due in annual installments ranging from \$85,000 to \$90,000 through October 1, 2009, with interest ranging from 5.70 to 5.90 percent, payable semi-annually.

260,000

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 9 - LONG-TERM DEBT – (cont'd):

The \$595,000 1999 Special Assessment Bonds,
dated November 1, 1999, due in annual installments
ranging from \$40,000 to \$45,000 through April 1, 2014, with
interest ranging from 4.85 to 5.50 percent, payable semi-annually. \$ 335,000

The \$360,000 2004 Special Assessment Bonds, dated November
15, 2004, due in annual installments ranging from \$15,000 to
\$25,000 through April 1, 2024, with interest ranging from 3.9
to 4.6 percent, payable semi-annually. 345,000

The \$680,000 2006 Special Assessment Bonds,
Dated December 1, 2006, due in annual installments
Ranging from \$30,000 to \$50,000 through September 1, 2026,
with interest ranging from 3.75 to 4.35 percent, payable
semi-annually. 680,000

\$ 1,770,000

Accrued Vacation and Sick Pay -

In accordance with contracts negotiated with the various employee
groups of the Township, individual employees have vested rights
upon termination of employment to receive payments for unused
vacation and sick leave under formulas and conditions specified in
the contracts. The Governmental Fund portion of \$64,385 as well
as the Enterprise Fund portion of \$40,335 has been recorded in the
government-wide financial statements as a long-term liability. \$ 104,720

\$ 2,036,038

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2006, for the following bonds,
contracts and leases, (excluding accrued vacation and sick) of the Primary Government:

	Special Assessment Bonds		G.O. Bonds		Capital Lease		Drains	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 150,000	\$ 65,958	\$ 50,000	\$ 8,700	\$ 23,441	\$ 8,816	\$ 10,501	\$ 2,741
2008	170,000	65,069	50,000	5,850	24,722	7,535	10,501	2,139
2009	170,000	56,438	50,000	2,950	26,073	6,184	10,501	1,537
2010	85,000	47,693	-	-	27,498	4,759	10,501	936
2011	85,000	43,924	-	-	29,000	3,256	1,005	334
2012-2016	375,000	162,815	-	-	30,584	1,671	5,025	835
2017-2021	300,000	97,935	-	-	-	-	-	-
2022-2026	<u>285,000</u>	<u>33,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,620,000</u>	<u>\$ 573,110</u>	<u>\$ 150,000</u>	<u>\$ 17,500</u>	<u>\$ 161,318</u>	<u>\$ 32,221</u>	<u>\$ 48,034</u>	<u>\$ 8,522</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 9 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

The Charter Township of Fort Gratiot does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the City of Port Huron to accept and dispose of the Township's sanitary sewage. The agreement provides, among other things, that the City shall reserve a capacity of 8.02 million gallons per day (MGD) in the sewage treatment plant, for which the Township has made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued \$10,220,000 of bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds are included in the annual operation cost from the City. Should the Township terminate the contract, the Township would be responsible for their share of the outstanding bonds, which at December 31, 2006, would amount to \$1,243,317.

NOTE 10 - WATER SUPPLY SYSTEM AGREEMENT:

The Charter Township of Fort Gratiot does not own a water filtration plant; instead, the Township/County has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under the agreement, dated October 16, 1968, the Township/County agreed to purchase various minimum quantities at such rates as the City may establish and is reasonable, plus a metered service charge. The contract is for an indefinite period but it may be terminated by either party upon one year written notice.

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 9% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of 5-10%. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2006, the Township contributed \$75,923, and the employees contributed \$39,565.

NOTE 12 - POST RETIREMENT BENEFITS:

In addition to the pension benefits described in Note 11, the Charter Township of Fort Gratiot provides 60% of the health insurance premium for any employee that retires with a minimum of 10 years of continued employment with the Township. Expenditure for post-retirement health care benefits are recognized on a pay-as-you-go basis and amounted to \$49,837 for six employees for 2006.

NOTE 13 - RESTRICTED ASSETS:

The restricted assets of \$71,397 in the Cemetery Fund for perpetual care and \$4,112,414 in the Utilities Fund are for capital improvements/debt retirement.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 14 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance/Retained Earnings -

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

Fund Balance -		
General Fund	Street Lights	\$ 54,036
	Prepaid/Deposits	55,006
Special Revenue Fund -		
Fire	Prepays	28,438
Cemetery	Perpetual Care	71,397
	Prepays	1,959
Inspections	Prepays	1,836
Capital Projects Fund -		
Municipal Building	Capital Projects	<u>659,487</u>
		<u>\$ 872,159</u>
Retained Earnings		
Water and Sewer Fund	Equipment Replacement	<u>\$1,688,495</u>

Designated Fund Balance -

The Township board has the power to designate or set aside all or a portion of unreserved Fund Balance for specific purposes. The following is a summary of Board Designations at December 31, 2006:

General Fund	Capital Improvements	\$ 900,000
	Budget Stabilization	700,000
	Retirees Health Insurance	103,131
	Accrued Vacation and Sick	64,385
	Parks and Recreation	<u>3,742</u>
		<u>\$ 1,771,278</u>

NOTE 15 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limit of coverage's be exceeded.

NOTE 16 – PRIOR PERIOD ADJUSTMENT:

The beginning net assets of the Water and Sewer Fund was reduced by \$60,601 to correct the accrual of unbilled services at December 31, 2005.

NOTE 17 – CONSTRUCTION CONTRACT COMMITMENTS:

The Township has approved awarding the Krafft Road sewer project construction contract in the amount of \$646,373. The Township has the funds available in the Krafft Construction Fund to meet these commitments.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF FORT GRATIOT**St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 429,000	\$ 429,000	\$ 448,969	\$ 19,969
Licenses and permits	17,100	17,100	13,235	(3,865)
Intergovernmental	750,900	750,900	753,542	2,642
Charges for services	129,600	129,600	142,781	13,181
Fines and forfeits	12,000	12,000	7,487	(4,513)
Interest and rent	56,000	56,000	173,211	117,211
Other revenues	115,000	115,000	124,848	9,848
Total Revenues	<u>1,509,600</u>	<u>1,509,600</u>	<u>1,664,073</u>	<u>154,473</u>
Expenditures:				
General Government -				
Legislative	30,135	30,135	30,631	(496)
Supervisor	115,752	115,752	91,973	23,779
Elections	19,335	19,335	15,933	3,402
Assessor	125,594	125,594	126,628	(1,034)
Clerk's Department	194,687	194,687	195,804	(1,117)
Board of Review	3,000	3,000	2,194	806
Treasurer's Department	127,654	127,654	127,050	604
Township Hall	354,937	354,937	349,269	5,668
	<u>971,094</u>	<u>971,094</u>	<u>939,482</u>	<u>31,612</u>
Less: Reimbursement from other funds	<u>-</u>	<u>-</u>	<u>(21,000)</u>	<u>21,000</u>
	<u>971,094</u>	<u>971,094</u>	<u>918,482</u>	<u>52,612</u>
Public Safety -				
Planning Commission	120,273	120,273	106,944	13,329
Zoning Board	3,900	3,900	4,250	(350)
	<u>124,173</u>	<u>124,173</u>	<u>111,194</u>	<u>12,979</u>
Public Works -				
Street lights	105,000	105,000	107,367	(2,367)
Road maintenance and construction	100,000	100,000	113,534	(13,534)
Drains at large and watershed	34,000	48,000	46,543	1,457
	<u>239,000</u>	<u>253,000</u>	<u>267,444</u>	<u>(14,444)</u>
Health and Welfare -				
Ambulance Service	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>

Continued

CHARTER TOWNSHIP OF FORT GRATIOT**St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures - (cont'd):				
Recreation and Cultural -				
Parks and Recreation	\$ 37,880	\$ 37,880	\$ 34,138	\$ 3,742
Buildings and Grounds	79,633	79,633	72,463	7,170
	<u>117,513</u>	<u>117,513</u>	<u>106,601</u>	<u>10,912</u>
 Total Expenditures	 <u>1,456,780</u>	 <u>1,470,780</u>	 <u>1,403,721</u>	 <u>67,059</u>
 Excess of revenues over expenditures	 52,820	 38,820	 260,352	 221,532
 Other Financing Uses:				
Transfers out	(55,820)	(224,820)	(200,250)	24,570
 Excess of revenues over (under) expenditures and other uses	 (3,000)	 (186,000)	 60,102	 246,102
 Fund Balance at beginning of year	 <u>2,796,058</u>	 <u>2,796,058</u>	 <u>2,796,058</u>	 <u>-</u>
 Fund Balance at end of year	 <u><u>\$ 2,793,058</u></u>	 <u><u>\$ 2,610,058</u></u>	 <u><u>\$ 2,856,160</u></u>	 <u><u>\$ 246,102</u></u>

Concluded

CHARTER TOWNSHIP OF FORT GRATIOT**St. Clair County, Michigan****FIRE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 527,903	\$ 527,903	\$ 534,862	\$ 6,959
Charges for services	35,000	35,000	26,150	(8,850)
Donation	-	-	3,500	3,500
Interest	5,000	5,000	11,242	6,242
Other	-	-	3,114	3,114
	<u>\$ 567,903</u>	<u>\$ 567,903</u>	<u>578,868</u>	<u>10,965</u>
Expenditures:				
Public Safety -				
Salaries	342,073	342,073	331,470	10,603
Fringe benefits	66,861	66,861	66,661	200
Supplies	8,000	8,000	8,767	(767)
Uniforms	6,000	6,000	1,516	4,484
Gas and oil	4,000	4,000	5,148	(1,148)
Communications	2,500	2,500	3,211	(711)
Utilities	12,000	12,000	7,870	4,130
Repairs and maintenance	18,500	18,500	14,592	3,908
Education and training	2,500	2,500	1,200	1,300
Miscellaneous	6,579	6,579	4,904	1,675
Capital Outlay	13,200	13,200	12,760	440
Debt Service	32,258	32,258	32,258	-
	<u>514,471</u>	<u>514,471</u>	<u>490,357</u>	<u>24,114</u>
Excess of revenues over expenditures	53,432	53,432	88,511	35,079
Fund Balance at beginning of year	<u>78,884</u>	<u>78,884</u>	<u>78,884</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 132,316</u>	<u>\$ 132,316</u>	<u>\$ 167,395</u>	<u>\$ 35,079</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 559,860	\$ 559,860	\$ 562,392	\$ 2,532
Intergovernmental -				
State	9,000	9,000	8,489	(511)
Interest and rent	8,500	8,500	18,950	10,450
	<u>577,360</u>	<u>577,360</u>	<u>589,831</u>	<u>12,471</u>
Expenditures:				
Public Safety -				
Contracted services	<u>577,360</u>	<u>577,360</u>	<u>534,556</u>	<u>42,804</u>
Excess of revenues over expenditures	-	-	55,275	55,275
Fund Balance at beginning of year	<u>149,726</u>	<u>149,726</u>	<u>149,726</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 149,726</u></u>	<u><u>\$ 149,726</u></u>	<u><u>\$ 205,001</u></u>	<u><u>\$ 55,275</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

GARBAGE COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Assessments	\$ 413,181	\$ 413,181	\$ 417,923	\$ 4,742
Interest	-	-	5,854	5,854
	<u>413,181</u>	<u>413,181</u>	<u>423,777</u>	<u>10,596</u>
Expenditures:				
Public Works -				
Contracted services	<u>413,181</u>	<u>413,181</u>	<u>388,983</u>	<u>24,198</u>
Excess of revenues under expenditures	-	-	34,794	34,794
Other Financing Sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>417</u>	<u>417</u>
Excess of revenues and other sources over expenditures	-	-	35,211	35,211
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,211</u>	<u>\$ 35,211</u>

CHARTER TOWNSHIP OF FORT GRATIOT**St. Clair County, Michigan****BLUE WATER AREA TRANSPORTATION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 261,445	\$ 261,445	\$ 262,241	\$ 796
Expenditures:				
Public Works - Transportation	261,445	261,445	262,241	(796)
Excess of revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

		Special Revenue Funds			
		Cemetery	Park Improvement	Public Improvement	Inspections
ASSETS					
Current assets -					
Cash and cash equivalents	\$	5,685	\$ 177,040	\$ 256,677	\$ 61,457
Prepays		1,959	-	-	1,836
Due from other funds		-	-	169,000	-
		<u>7,644</u>	<u>177,040</u>	<u>425,677</u>	<u>63,293</u>
Restricted assets -					
Investments		<u>71,397</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$	<u><u>79,041</u></u>	<u><u>\$ 177,040</u></u>	<u><u>\$ 425,677</u></u>	<u><u>\$ 63,293</u></u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$	92	\$ 94,129	\$ -	\$ 597
Accrued liabilities		240	-	-	563
Due to other funds		-	-	-	21,148
Total Liabilities		<u>332</u>	<u>94,129</u>	<u>-</u>	<u>22,308</u>
Fund Balance:					
Reserved -					
Prepays		1,959	-	-	1,836
Capital Projects		-	-	-	-
Perpetual Care		71,397	-	-	-
Unreserved -					
Undesignated		<u>5,353</u>	<u>82,911</u>	<u>425,677</u>	<u>39,149</u>
Total Fund Balance		<u>78,709</u>	<u>82,911</u>	<u>425,677</u>	<u>40,985</u>
Total Liabilities and Fund Balance	\$	<u><u>79,041</u></u>	<u><u>\$ 177,040</u></u>	<u><u>\$ 425,677</u></u>	<u><u>\$ 63,293</u></u>

Debt Service Fund	Capital Projects Fund	
M-25 Debt Service	Municipal Building	Total
\$ 109,844	\$ 659,487	\$ 1,270,190
-	-	3,795
833	-	169,833
<u>110,677</u>	<u>659,487</u>	<u>1,443,818</u>
-	-	71,397
<u>\$ 110,677</u>	<u>\$ 659,487</u>	<u>\$ 1,515,215</u>

\$ 109,606	\$ -	\$ 204,424
1,071	-	1,874
-	-	21,148
<u>110,677</u>	<u>-</u>	<u>227,446</u>

-	-	3,795
-	659,487	659,487
-	-	71,397
-	-	553,090
<u>-</u>	<u>659,487</u>	<u>1,287,769</u>
<u>\$ 110,677</u>	<u>\$ 659,487</u>	<u>\$ 1,515,215</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds			
	Cemetery	Park Improvement	Public Improvement	Inspections
Revenues:				
Intergovernmental	\$ -	\$ 125,721	\$ -	\$ -
Charges for services	26,105	-	-	211,182
Interest and rent	6,226	4,483	4,443	2,898
Other	4,550	64,305		4,597
Total Revenues	<u>36,881</u>	<u>194,509</u>	<u>4,443</u>	<u>218,677</u>
Expenditures:				
Current -				
General Government	61,741	-	-	-
Public Safety	-	-	120,197	256,108
Recreation and Cultural	-	177,599	-	-
Total Expenditures	<u>61,741</u>	<u>177,599</u>	<u>120,197</u>	<u>256,108</u>
Excess of revenues over (under) expenditures	(24,860)	16,910	(115,754)	(37,431)
Other Financing Sources:				
Transfers In	<u>30,000</u>	<u>-</u>	<u>169,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	5,140	16,910	53,246	(37,431)
Fund Balances at beginning of year	<u>73,569</u>	<u>66,001</u>	<u>372,431</u>	<u>78,416</u>
Fund Balances at end of year	<u>\$ 78,709</u>	<u>\$ 82,911</u>	<u>\$ 425,677</u>	<u>\$ 40,985</u>

Debt Service Fund	Capital Projects Fund	
M-25 Debt Service	Municipal Building	Total
\$ -	\$ -	\$ 125,721
-	-	237,287
4,475	27,195	49,720
-	-	73,452
<u>4,475</u>	<u>27,195</u>	<u>486,180</u>
-	-	61,741
-	-	376,305
109,606	-	287,205
<u>109,606</u>	<u>-</u>	<u>725,251</u>
(105,131)	27,195	(239,071)
<u>833</u>	<u>-</u>	<u>199,833</u>
(104,298)	27,195	(39,238)
<u>104,298</u>	<u>632,292</u>	<u>1,327,007</u>
<u>\$ -</u>	<u>\$ 659,487</u>	<u>\$ 1,287,769</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Charges for services -				
Grave openings	\$ 25,960	\$ 25,960	\$ 23,910	\$(2,050)
Other	850	850	2,195	1,345
Interest and rent -				
Interest on investments	2,500	2,500	6,226	3,726
Other revenue -				
Sale of lots	5,500	5,500	4,550	(950)
	<u>34,810</u>	<u>34,810</u>	<u>36,881</u>	<u>2,071</u>
Expenditures:				
General Government -				
Salaries	41,820	41,820	36,046	5,774
Fringe benefits	22,260	22,260	10,299	11,961
Professional fees	600	600	400	200
Utilities	800	800	668	132
Repairs and maintenance	7,200	7,200	12,905	(5,705)
Miscellaneous	950	950	1,423	(473)
Capital Outlay	10,000	10,000	-	10,000
	<u>83,630</u>	<u>83,630</u>	<u>61,741</u>	<u>21,889</u>
Excess of revenues under expenditures	(48,820)	(48,820)	(24,860)	23,960
Other Financing Sources:				
Transfers in	<u>48,820</u>	<u>48,820</u>	<u>30,000</u>	<u>(18,820)</u>
Excess of revenues and other financing sources over expenditures	-	-	5,140	5,140
Fund Balance at beginning of year	<u>73,569</u>	<u>73,569</u>	<u>73,569</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 73,569</u>	<u>\$ 73,569</u>	<u>\$ 78,709</u>	<u>\$ 5,140</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

PARK IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Intergovernmental -				
Federal	\$ -	\$ -	\$ 83,470	\$ 83,470
Local	-	-	42,251	42,251
Interest and rent -				
Interest on investment	-	-	4,483	4,483
Other	-	-	64,305	64,305
	<u>-</u>	<u>-</u>	<u>194,509</u>	<u>194,509</u>
Expenditures:				
Recreation and Cultural	-	-	-	-
Capital Outlay	-	-	177,599	(177,599)
	<u>-</u>	<u>-</u>	<u>177,599</u>	<u>(177,599)</u>
Excess of revenues over expenditures	-	-	16,910	16,910
Fund Balance at beginning of year	<u>66,001</u>	<u>66,001</u>	<u>66,001</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 66,001</u></u>	<u><u>\$ 66,001</u></u>	<u><u>\$ 82,911</u></u>	<u><u>\$ 16,910</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

PUBLIC IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 4,443	\$ 4,443
Expenditures:				
Capital Outlay -	-	-	120,197	(120,197)
Excess of revenues under expenditures	-	-	(115,754)	(115,754)
Other Financing Sources				
Transfers in	-	169,000	169,000	-
Excess of revenues and other sources over expenditures	-	169,000	53,246	(115,754)
Fund Balance at beginning of year	372,431	372,431	372,431	-
Fund Balance at end of year	<u>\$ 372,431</u>	<u>\$ 541,431</u>	<u>\$ 425,677</u>	<u>\$(115,754)</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

INSPECTIONS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Building permits	\$ 161,960	\$ 161,960	\$ 116,049	\$(45,911)
Electrical permits	50,000	50,000	49,299	(701)
Mechanical permits	26,200	26,200	30,454	4,254
Plumbing permits	19,200	19,200	15,380	(3,820)
Interest	600	600	2,898	2,298
Other	-	-	4,597	4,597
	<u>257,960</u>	<u>257,960</u>	<u>218,677</u>	<u>(39,283)</u>
Expenditures:				
Public Safety -				
Salaries	160,491	160,491	167,823	(7,332)
Fringe benefits	50,914	50,914	45,473	5,441
Supplies	3,500	3,500	188	3,312
Transportation	6,670	6,670	3,342	3,328
Communications	3,000	3,000	1,934	1,066
Administrative fees	21,000	21,000	21,000	-
Education and training	4,200	4,200	2,413	1,787
Miscellaneous	1,500	1,500	8,131	(6,631)
Capital Outlay -	6,685	6,685	5,804	881
	<u>257,960</u>	<u>257,960</u>	<u>256,108</u>	<u>1,852</u>
Excess of revenues under expenditures	-	-	(37,431)	(37,431)
Fund Balance at beginning of year	<u>78,416</u>	<u>78,416</u>	<u>78,416</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 78,416</u>	<u>\$ 78,416</u>	<u>\$ 40,985</u>	<u>\$(37,431)</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

COMBINING SCHEDULE OF NET ASSETS

WATER AND SEWER FUNDS

DECEMBER 31, 2006

	Unrestricted				
	Water & Sewer Fund	Capital Replacement	Utility Bond Debt	1995 Bond Debt	1999 Bond Debt
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 800,411	\$ -	\$ -	\$ -	\$ -
Accounts receivable	476,055	-	-	-	-
Inventory	41,311	-	-	-	-
Prepaid expense	31,750	-	-	-	-
Due from other funds	44	-	-	-	-
Total Current Assets	1,349,571	-	-	-	-
Restricted Assets:					
Cash and cash equivalents	-	1,035,613	356,414	117,424	171,388
Investments	-	400,000	-	-	-
Special assessment receivable	-	118,676	6,134	97,269	125,879
Due from other funds	-	134,206	-	61,500	-
	-	1,688,495	362,548	276,193	297,267
Property, Plant and Equipment:					
Buildings	141,136	-	-	-	-
Equipment	831,803	-	-	-	-
Mains and extensions	18,227,379	-	-	-	-
	19,200,318	-	-	-	-
Less - accumulated depreciation	(8,117,523)	-	-	-	-
	11,082,795	-	-	-	-
Total Assets	12,432,366	1,688,495	362,548	276,193	297,267
LIABILITIES:					
Current Liabilities:					
Accounts payable	375,047	-	-	-	-
Accrued expenses	5,301	-	-	-	-
Deposits	5,245	-	-	-	-
Due to other funds	161,733	-	-	-	-
Total Current Liabilities	547,326	-	-	-	-
Current Liabilities - (Payable from restricted assets):					
Accounts payable	-	-	456	-	-
Bonds payable (current portion)	-	-	50,000	90,000	45,000
Accrued interest	-	-	2,175	3,769	4,327
Due to other funds	-	-	61,500	-	-
	-	-	114,131	93,769	49,327
Long-Term Liabilities (less current portions):					
Bonds payable	-	-	100,000	170,000	290,000
Accrued vacation and sick	40,335	-	-	-	-
Total Long-Term Liabilities	40,335	-	100,000	170,000	290,000
Total Liabilities	587,661	-	214,131	263,769	339,327
NET ASSETS:					
Investment in capital assets, net of related debt	11,082,795	-	-	-	-
Reserved - Equipment Replacement	-	1,688,495	-	-	-
Debt Retirement	-	-	148,417	12,424	(42,060)
Unrestricted	761,910	-	-	-	-
Total Net Assets	\$ 11,844,705	\$ 1,688,495	\$ 148,417	\$ 12,424	\$(42,060)

Restricted					Total	Eliminations	Total
Brace/Tice Construction	Brace/Tice Bond Debt	Krafft Bond Debt	Krafft Construction	Total Restricted			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,411	\$ (141,112)	\$ 659,299
-	-	-	-	-	476,055	-	476,055
-	-	-	-	-	41,311	-	41,311
-	-	-	-	-	31,750	-	31,750
-	-	-	-	-	44	-	44
-	-	-	-	-	1,349,571	(141,112)	1,208,459
-	134,308	-	653,151	2,468,298	2,468,298	141,112	2,609,410
-	-	-	-	400,000	400,000	-	400,000
-	216,158	680,000	-	1,244,116	1,244,116	-	1,244,116
-	-	6,906	-	202,612	202,612	(202,612)	-
-	350,466	686,906	653,151	4,315,026	4,315,026	(61,500)	4,253,526
-	-	-	-	-	141,136	-	141,136
-	-	-	-	-	831,803	-	831,803
-	-	-	-	-	18,227,379	-	18,227,379
-	-	-	-	-	19,200,318	-	19,200,318
-	-	-	-	-	(8,117,523)	-	(8,117,523)
-	-	-	-	-	11,082,795	-	11,082,795
-	350,466	686,906	653,151	4,315,026	16,747,392	(202,612)	16,544,780
-	-	-	73	73	375,120	-	375,120
-	-	-	-	-	5,301	-	5,301
-	-	-	-	-	5,245	-	5,245
-	-	-	12,740	12,740	174,473	(141,112)	33,361
-	-	-	12,813	12,813	560,139	(141,112)	419,027
-	-	-	-	456	456	-	456
-	15,000	-	-	200,000	200,000	-	200,000
-	3,560	-	-	13,831	13,831	-	13,831
-	-	-	-	61,500	61,500	(61,500)	-
-	18,560	-	-	275,787	275,787	(61,500)	214,287
-	330,000	680,000	-	1,570,000	1,570,000	-	1,570,000
-	-	-	-	-	40,335	-	40,335
-	330,000	680,000	-	1,570,000	1,610,335	-	1,610,335
-	348,560	680,000	12,813	1,858,600	2,446,261	(202,612)	2,243,649
-	-	-	640,338	640,338	11,723,133	127,593	11,850,726
-	-	-	-	1,688,495	1,688,495	-	1,688,495
-	1,906	6,906	-	127,593	127,593	(127,593)	-
-	-	-	-	-	761,910	-	761,910
\$ -	\$ 1,906	\$ 6,906	\$ 640,338	\$ 2,456,426	\$ 14,301,131	\$ -	\$ 14,301,131

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

WATER AND SEWER FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Unrestricted Water & Sewer Fund	Capital Replacement	Utility Bond Debt	1995 Bond Debt	1999 Bond Debt
Operating Revenues:					
Licenses and permits	\$ 1,125	\$ -	\$ -	\$ -	\$ -
Charges for services - user charges	2,351,785	138,443	-	-	-
Penalty on delinquent accounts	-	1,105	-	1,725	-
Other revenue	15,275	-	-	-	-
Total Operating Revenues	<u>2,368,185</u>	<u>139,548</u>	<u>-</u>	<u>1,725</u>	<u>-</u>
Operating Expenses:					
Salaries and fringes	549,067	-	-	-	-
Water purchases	945,448	-	-	-	-
Sewer plant charges	757,599	-	-	-	-
Supplies	47,187	29,515	-	-	-
Utilities	43,797	-	-	-	-
Repairs and maintenance	44,158	-	-	-	-
Gas and oil	29,666	-	-	-	-
Professional services	27,490	-	-	-	-
Other	32,521	-	-	-	199
Depreciation	329,797	-	-	-	-
Total Operating Expenses	<u>2,806,730</u>	<u>29,515</u>	<u>-</u>	<u>-</u>	<u>199</u>
Operating Income (Loss)	<u>(438,545)</u>	<u>110,033</u>	<u>-</u>	<u>1,725</u>	<u>(199)</u>
Non-Operating Revenues (Expenses):					
Tap and privilege fees	143,256	-	-	-	-
Special assessments	-	-	5,951	-	-
Interest earned on -					
Special assessments and privilege fees	-	8,963	72	7,282	8,347
Cash and investment revenue	29,322	40,712	12,131	8,169	1,089
Interest expense and fees	-	-	(10,800)	(19,755)	(18,117)
Total Non-Operating Revenues (Expenses)	<u>172,578</u>	<u>49,675</u>	<u>7,354</u>	<u>(4,304)</u>	<u>(8,681)</u>
Net Income (Loss) Before Transfers	<u>(265,967)</u>	<u>159,708</u>	<u>7,354</u>	<u>(2,579)</u>	<u>(8,880)</u>
Transfers:					
Transfer In	84,621	118,256	-	-	-
Transfer Out	(118,256)	(84,621)	-	-	-
	<u>(33,635)</u>	<u>33,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>(299,602)</u>	<u>193,343</u>	<u>7,354</u>	<u>(2,579)</u>	<u>(8,880)</u>
Net assets at beginning of year	12,204,908	1,495,152	141,063	15,003	(33,180)
Prior Period Adjustment	(60,601)	-	-	-	-
Net assets at beginning of year, restated	<u>12,144,307</u>	<u>1,495,152</u>	<u>141,063</u>	<u>15,003</u>	<u>(33,180)</u>
Net Assets end of year	<u>\$ 11,844,705</u>	<u>\$ 1,688,495</u>	<u>\$ 148,417</u>	<u>\$ 12,424</u>	<u>\$ (42,060)</u>

Restricted							
Brace/Tice	Brace/Tice	Krafft	Krafft	Total			
Construction	Bond Debt	Bond Debt	Construction	Restricted	Total	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,125	\$ -	\$ 1,125
-	-	-	-	138,443	2,490,228	-	2,490,228
-	-	-	-	2,830	2,830	-	2,830
-	-	-	-	-	15,275	-	15,275
-	-	-	-	141,273	2,509,458	-	2,509,458
-	-	-	-	-	549,067	-	549,067
-	-	-	-	-	945,448	-	945,448
-	-	-	-	-	757,599	-	757,599
-	-	-	-	29,515	76,702	-	76,702
-	-	-	-	-	43,797	-	43,797
-	-	-	-	-	44,158	-	44,158
-	-	-	-	-	29,666	-	29,666
-	-	-	-	-	27,490	-	27,490
-	-	-	-	199	32,720	-	32,720
-	-	-	-	-	329,797	-	329,797
-	-	-	-	29,714	2,836,444	-	2,836,444
-	-	-	-	111,559	(326,986)	-	(326,986)
-	-	-	-	-	143,256	-	143,256
-	16,391	680,000	-	702,342	702,342	-	702,342
-	13,691	-	-	38,355	38,355	-	38,355
85	3,372	230	2,145	67,933	97,255	-	97,255
-	(14,611)	(10,200)	(24,931)	(98,414)	(98,414)	-	(98,414)
85	18,843	670,030	(22,786)	710,216	882,794	-	882,794
85	18,843	670,030	(22,786)	821,775	555,808	-	555,808
-	85	-	663,124	781,465	866,086	(866,086)	-
(85)	-	(663,124)	-	(747,830)	(866,086)	(866,086)	-
(85)	85	(663,124)	663,124	33,635	-	-	-
-	18,928	6,906	640,338	855,410	555,808	-	555,808
-	(17,022)	-	-	1,601,016	13,805,924	-	13,805,924
-	-	-	-	-	(60,601)	-	(60,601)
-	(17,022)	-	-	1,601,016	13,745,323	-	13,745,323
\$ -	\$ 1,906	\$ 6,906	\$ 640,338	\$ 2,456,426	\$ 14,301,131	\$ -	\$ 14,301,131

FIDUCIARY FUNDS

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Current Tax Collection	Other Tax Collection	Imprest Payroll	Total
Assets:				
Cash and cash equivalents	\$ 1,712,838	\$ 649	\$ 4,199	\$ 1,717,686
Prepaid expense	-	-	33,273	33,273
Due from other funds	-	-	33,373	33,373
	<u>\$ 1,712,838</u>	<u>\$ 649</u>	<u>\$ 70,845</u>	<u>\$ 1,784,332</u>
Liabilities:				
Accrued payroll taxes and employee benefits	\$ -	\$ -	\$ 2,255	\$ 2,255
Due to other funds	31,941	-	68,590	100,531
Undistributed taxes and interest	<u>1,680,897</u>	<u>649</u>	<u>-</u>	<u>1,681,546</u>
	<u>\$ 1,712,838</u>	<u>\$ 649</u>	<u>\$ 70,845</u>	<u>\$ 1,784,332</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Supervisor and Members of
The Township Board
Charter Township of Fort Gratiot
St. Clair County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Fort Gratiot as of and for the year ended December 31, 2006, which collectively comprise the Charter Township of Fort Gratiot's basic financial statements and have issued our report thereon dated June 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Fort Gratiot's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Fort Gratiot's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Charter Township of Fort Gratiot's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles.

Although the Township prepares various financial information throughout the year and at year-end to assess operations and the financial condition of the Township, the information is not presented in accordance with Generally Accepted Accounting Principles. Because the Township does not have the financial expertise on staff, and it would not be cost justified to do so, you contract with our Firm to assist in converting the financial data from the cash basis to the modified accrual/accrual basis of accounting and in drafting the financial statements in accordance with Generally Accepted Accounting Principles. Since the Township does not have someone on staff to review and determine that the financial statements are in accordance with Generally Accepted Accounting Principles it is considered a control deficiency since errors could occur in the preparation of the financial statements and you would not be in a position to detect the errors.

Although we cannot be part of the Township's control system, let us assure you that our Firm specializes in the audit and preparation of governmental financial statements, and we believe that our internal control procedures would detect any material deficiencies in the financial statements. However the statements are prepared based on the information provided by management, we cannot be responsible for information that has not been brought to our attention or that we did not note during our audit procedures.

The Developer escrow accounts should be reviewed and reconciled to the general ledger on a monthly basis.

The Township requires developer/contractors to deposit monies in escrow accounts that are utilized by the township to cover Township costs, including engineering fees, for the development. During our testing we noted instances where costs exceed the amount the developer had on hand, that certain developments had been completed in prior years and the developer still had a balance or owed the Township, etc. We recommend that the escrow accounts be reviewed at the end of each month with the developer bill if additional monies are needed and that once the development is completed that any escrow balance be returned to the developer.

Also the escrow report should be reconciled to the general ledger on a monthly basis.

Controls over the gasoline and diesel fuel at the DPW location should be improved.

The Township maintains gasoline and diesel fuel for use of the Township equipment. However, employees are not required to document when gas or diesel fuel is used, the vehicle or equipment that is being fuel, the mileage and date, etc. We recommend that procedures be adopted requiring this type of information and that perpetual inventory record of the gasoline and diesel fuel be maintain. A physical inventory should be taken at the end of each month and compared to the perpetual inventory records.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Township of Fort Gratiot's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters that we reported to management of Charter Township of Fort Gratiot in a separate letter dated June 8, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Fort Gratiot's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, the Township Board, others with the Charter Township of Fort Gratiot, and the Michigan Department of Treasury and is not intended to be and should be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

June 8, 2007

MANAGEMENT LETTER

To the Supervisor and Members of
the Township Board
Charter Township of Fort Gratiot
St. Clair County, Michigan

As you know, we have recently completed our audit of the basic financial statements of the Charter Township of Fort Gratiot as of and for the year ended December 31, 2006. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the Township's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in our *Report on Internal Accounting Controls*, these weaknesses were not considered significant deficiencies in relation to the basic financial statements of the Charter Township of Fort Gratiot.

The payroll and accounts payable bank accounts should be maintained on the imprested basis.

Although the Township has separate bank accounts established for the processing of account payable and payroll, the accounts both have significant cash balances in them. Controls could be enhanced by maintaining the accounts at a specific balance, \$1,000 or \$5,000, and then transferring the exact amount of the checks into the accounts when checks are written. The accounts should be reconciled back to the same amount each month.

The Township should reconcile wages reported per the General Ledger to wages reported on the quarterly Federal 941 Form's.

To increase controls we recommend that the wages per the payroll reports and the general ledger be reconciled on a monthly basis. This will help assure that the 941's are prepared correctly and that all wages are appropriately classified in the Township accounting records.

All credit card purchases should be supported by invoices or receipts.

During our testing we noted that there were a couple instances where credit card purchases were not supported by invoice or receipt. Although these purchases were approved by the department head, all purchases should be supported by original invoice or receipt.

In addition, we noted one instance where it indicated that a rebate could be obtained. Based on our review and inquiry we could not determine if the rebate was received. We recommend that procedures be instituted to track and refund and/or rebates.

Back-up of the computer system data should be maintained off-site.

Based on discussions with management it is our understanding that the Township backs-up the data files each night with the file maintained in the Township vault. In the event of a fire or other natural disaster the back-up could be damaged or lost. To increase security, we recommend that the Township maintain back-up files off-site at least monthly but preferably on a weekly basis.

The Township should consider utilizing the “positive” pay option offered by banks.

Many banks offer the option of “positive pay”. This option entails the Township downloading a listing of checks printed by the Township to the bank. As the checks clear, the banks electronic compare the payee and check amount against the listing provided by the Township for any discrepancies. This would help prevent someone from altering a check.

Tags should be utilized to control Township equipment.

At the current time tag numbers are not utilized on assets purchased by the Township. Controls could be improved by requiring tags be affixed to assets at the time of purchase. Periodic reviews should then be made to make sure that all assets are accounted for and that they are in working condition.

Permit reports should be reconciled to the Township general ledger.

The Townships’ permit department prepares a report for all Building, Electrical, Mechanical and Plumbing permits issued which details the permit number and the dollar amount. Currently when a permit is marked paid in the Equilizer program there is no reconciliation to the Township general ledger permit revenue accounts to verify that the two programs reflex the same amount of permit revenue receipted. To increase controls in the cash receipting process we recommend that the two programs be reconciled on a periodic basis.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our audit of the December 31, 2006 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the audit committee, administration and the Township Board of the Charter Township of Fort Gratiot, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, likely reading "Stewart, Beauvois & Whipple".

June 8, 2007